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FISCAL IMPACT STATEMENT

LS 7011

BILL NUMBER: HB 1400

NOTE PREPARED: Dec 30, 2004

BILL AMENDED:

SUBJECT: Filing Date for Property Tax Benefits.

FIRST AUTHOR: Rep. Yount

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: With respect to the homestead credit and individual property tax deductions, this bill permits an individual who failed to file a timely application in 2004 to file the application before July 1, 2005, or to file the application before the first installment due date, if taxes are due in installments, established by the Department of Local Government Finance (DLGF). The bill applies the benefit as a tax credit or refund in 2005.

Effective Date: Upon passage.

Explanation of State Expenditures: The DLGF must prescribe forms or issue instructions for the use of existing forms for filing a claim. The DLGF should be able to implement this provision given its current budget and resources.

Before September 1, 2005, the Auditor of State must certify the amount of additional homestead credits to the Department of State Revenue (DOR). For property taxes first due and payable in 2005, the DOR must allocate from the Property Tax Replacement Fund an additional amount and distribute the amount in equal amounts in September, October, and November 2005. The Auditor of State and the DOR should be able to implement these provisions given their current budgets and resources.

The proposal could result in an increase in homestead credits paid by the state; however, the specific increase is indeterminable. The homestead credit equals 20% of the individual's property tax liability after the Property Tax Replacement Credit is applied. Homestead credits are paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. Any changes of homestead credit expenditures

would ultimately affect the state General Fund.

Explanation of State Revenues: The proposal could result in additional property tax deductions. Property tax deductions exclude property from the property tax base. The state levies a small tax rate for the State Fair and State Forestry that applies to all AV. If property is not a part of the tax base, the state can not assess this tax on the property. Any change in the AV base as a result of deductions decreases the property tax revenue collected for these two funds.

Explanation of Local Expenditures: The county auditor must determine the individual's eligibility for the benefit. If the individual is eligible, the county auditor must apply the benefit to taxes first due and payable in 2005, and, in cooperation with the county treasurer, apply to the extent possible the amount by which the application of the benefit reduces the individual's tax liability for taxes first due and payable in 2005. Before August 1, 2005, the auditor must certify to the DLGF and the Auditor of State the amount of homestead credits allowed in the county for taxes first due and payable in 2005.

The above provisions may result in increased administrative expenses for the county. However, it is presumed that counties will be able to absorb any additional expenses given their current budget and staff.

Explanation of Local Revenues: This bill allows, with respect to the homestead credit and certain deductions, a property taxpayer who failed to file a timely application in 2004 to file the application before July 1, 2005, or to file the application before the first installment due date, if taxes are due in installments established by the DLGF. (Under existing law, the taxpayer must file before May 11.) The bill applies the benefit as a tax credit or refund in 2005.

The above proposal may result in an increase in deductions claimed. The property tax deductions that would be available for taxes paid in 2005 under this proposal include mortgage, over 65, blind/disabled, and veteran's deductions. The \$35,000 standard deduction is automatic when the homeowner receives the Homestead Credit.

Additional deductions reduce the AV tax base. This reduction causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The amount of the deduction is indeterminable. However, local tax budgets, levies, and rates for 2005 will have been set by February 15, 2005. The proposal allows taxpayers to file for a deduction before July 1, 2005. Consequently, deductions could be applied after the local units' budget, levies, and rates have been set. Additional deductions allowed after the levies are set will result in a reduction in revenue for local units. Although the specific impact of the proposal is indeterminable and will be based on the number and amount of additional deductions that will be filed, the overall impact on the units for 2005 will equal the assessed value of the deductions multiplied by the tax rates for all units within the taxing district. Local units will also experience a reduction in revenues in rate-controlled funds.

With respect to the local homestead credit, local homestead credits are paid from revenue generated by a local option income tax. Under the proposal, a portion of the revenue generated by the local option income tax that would have gone to local units in 2005 will under the proposal be used to fund taxpayer homestead credits for those taxpayers eligible to receive the credit.

State Agencies Affected: DLGF, DOR, State Fair, and State Forestry.

Local Agencies Affected: County auditors and taxing units.

Information Sources:

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